Agora Dealer Services
Independent Series Model Portfolios

Portfolio Update – February 27, 2026
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As part of our ongoing oversight of the **Independent Series Model Portfolios**, we recently conducted a full review of the fund lineup to ensure the models continue to offer a strong balance of risk and return. With recent performance challenges within the models, this year's review carried additional significance.

What We Found

All of the underperformance in 2025 originated from the equity portion of the models, with two strategies, the **Beutel Goodman American Equity Fund** and the **Canoe Global Equity Fund** detracting the most.

Beutel Goodman American Equity Fund was the largest detractor, with the Series F version of the Fund falling 0.4%, well behind the 12.4% gain in the S&P 500. Much of this underperformance is because it is managed using a value tilted style, which has largely been out of favour in the past couple of years.

The Canoe Global Equity Fund was another detractor, rising 9.3%, but trailing the Morningstar Developed Markets Large-Mid Cap Index gain of 15.9%. Similar to Beutel, much of this underperformance is the result of the manager's investment process which emphasizes high quality companies. In the year, quality stocks trailed the broader markets, however showing improvement in the final quarter of the year.

Key Changes

Despite the recent challenges, we continue to hold high overall conviction in the managers currently in the Models. However, our review also highlighted that the portfolios were overly reliant on a small group of managers. While this can help in certain market environments, it can hinder results when those same styles fall out of favour, as we experienced over the past 15–18 months.

With this in mind, we set out to restructure the models to:

- Reduce reliance on individual managers
- Broaden diversification across investment styles, geographies, and asset classes
- Improve the expected long-term risk reward profile
- Increase consistency relative to each model's benchmark

Following the review, we are proposing several changes to the fund lineup.

Funds Being Added

- Lysander-Canso Corporate Value Fund
- PIMCO Monthly Income Fund
- TD Global Equity Focused Fund
- TD U.S. Index Fund
- TD International Index Fund

Funds Being Removed

- TD Short Term Bond Fund
- Beutel Goodman Income Fund
- Canoe Canadian Small/Mid Cap Fund

Please refer to the appendix for further information about these funds and their impact to the models.

What These Changes Mean for the Models

Overall, the changes enhance diversification, reduce manager concentration, improve our fixed income sleeve, and better align our returns with each model's benchmarks. Considering the impact of the changes we're proposing, we believe those objectives were achieved.

Equities

We are increasing the number of equity strategies to reduce concentration and broaden the style exposure across growth, value, and core. The addition of U.S. and International index strategies helps reduce tracking error and brings long-term return expectations closer to their respective benchmarks. These index strategies also help the portfolios overcome the hurdle that active managers face overall in beating benchmarks on a consistent basis over the long-term.

TD Global Equity Focused Fund provides an additional core/growth tilt to the overall portfolio while still maintaining its core focus.

Fixed Income

The two new fixed income strategies provide complementary sources of yield and diversification. Lysander-Canso Corporate Value Bond Fund offers a fundamentally driven, bottom-up credit approach, while PIMCO Monthly Income Fund provides a globally diversified, multi-sector fixed income exposure. Together, they enhance geographic diversification and increase the portfolio's yield potential.

You will notice that we have a fairly high allocation to the Beutel Goodman Core Plus Bond Fund in the more conservative models. On the surface, this appears to be opposite of our objective of reducing manager risk. However, except for the Income with Growth Portfolio, the overall exposure to Beutel Goodman's fixed income team is lower. Further, the dispersion between the best and worst bond fund managers is typically much lower than it is for equity funds, helping us gain the comfort in carrying a higher allocation to the specific fund in the models.

Expected Impact

After running the updated models through a series of back tests and scenario analysis through January 31, 2026, our results indicate:

- That the updated models provided stronger overall historic returns with comparable risk levels
- Stronger expected returns in several rising market scenarios

These changes meet our objectives of improving diversification, enhancing return potential, and maintaining disciplined risk management in the models.

Next Steps

We believe these revisions strengthen the Models for the years ahead and better help support the long-term success of your clients. Please reach out with any questions you may have, or if you'd like to discuss the changes in more detail.

Appendix

Key Points

- Revised Model portfolios improve the models across several key metrics
  - Single manager risk is reduced with addition of new funds in both the equity and fixed income portions of the model
  - Historical performance indicates the models experienced improved performance in rising markets, and protected capital better in falling markets.
  - The addition of foundational, passive equity strategies helps to move overall performance closer to the performance of the blended benchmarks.
- Improved diversification of fixed income sleeve
  - Addition of more specialized fixed income funds helps to bring in additional levels of diversification including geographic diversification, exposure to a wider range of credit quality, and exposure to different types of fixed income investments including securitized, high yield, and mortgages.
- Improved diversification of equity sleeve
  - Addition of new active strategy, combined with new passive allocation allows us to reduce the individual weights of our equity funds. This results in less exposure to any single fund, reducing our reliance on any one particular fund.
  - New mix helps to better balance the geographic exposure, with a reduction in U.S. equities and an increase in non-U.S. equities.

How We Think About Our Models

Our model portfolios are built to be strategic and long-term, not highly tactical, so changes are made deliberately rather than in response to shorter periods of underperformance. Active managers experience performance cycles, and even skilled managers can go through extended periods where their style is out of favour. These cycles often reverse when market leadership shifts again, which is why we maintain conviction through a full cycle instead of treating recent returns as a reliable signal to hire or fire managers.

When we identify a portfolio or observe manager performance that cannot be explained based on their process, we work to understand the drivers of the change and assess whether this represents a fundamental shift in how the strategy is run.

Adjustments to the models are made only when there is a material change in our assessment of the manager's process, or the portfolio's risk profile, not simply a few challenging quarters. Evidence shows that staying invested, rather than moving in and out of strategies, is generally more effective because compounding and time in the market tend to matter more than short-term market timing.

Funds being added:

- **Lysander-Canso Corporate Value Fund** is a global corporate fixed income fund that invests in a high conviction portfolio of fixed income securities the manager believes are under valued. It is managed using a disciplined, fundamentally driven, bottom-up investment process**. This fund is being added as s complement to our core bond exposure to help enhance income yield, and long-term expected returns.**

- **PIMCO Monthly Income Fund** is a very diversified, go anywhere multi-sector global bond strategy. It invests in a wide range of fixed income investments including government bonds, corporate bonds, mortgage-backed securities, securitized credit, and emerging market debt. It is managed using a combination of top-down research and bottom-up security selection. **The fund is being added to help improve diversification, both in terms of geographies and underlying securities. It is also expected to help improve our underlying yield, while also helping to enhance our expected risk and return metrics.**

- **TD Global Equity Focused Fund** is a relatively concentrated portfolio (~50 names) of high-quality, cash-flow compounding companies benefiting from secular growth tailwinds. While it has a dividend tilt, it also focuses on long-term growth. The fund uses an active options overlay, writing calls on roughly half the portfolio (typically 6–8% out of the money with short-dated expiries) to generate option premium to enhance income, while also selling puts near target entry levels to add to desired holdings. Sector and regional exposures tend to resemble the MSCI World Index, resulting in a meaningful U.S. equity allocation. **This fund is being added to the models as an additional global equity manager, which will help to reduce our manager specific risk, while helping to broaden out our overall level of diversification.**

- **TD U.S. Index Fund** is a strategy that provides foundational exposure to U.S. equities by tracking the Solactive U.S. Large Cap Index, which invests in approximately 500 of the largest U.S. companies. Including this Fund will **help to provide more core focused U.S. equity exposure, which is expected to be a good complement to the more value tilted Beutel Goodman American Equity Fund.**

- **TD International Index Fund** is a strategy that provides low-cost foundational exposure to international equities. To do this, it tracks the Solactive GBS Developed markets ex-North America Large & Mid Cap Index, which invests in a market capitalization weighted portfolio of the largest developed market stocks located outside of North America. **When included in our models, this fund helps provide additional diversification by increasing foundational exposure to international securities.**

Funds being removed:

- **TD Short Term Bond Fund** is being removed from the Models. The strategy invests in Canadian government and corporate bonds that have a term to maturity of up to five years. The shorter-term maturities can help reduce interest rate risk and overall volatility, however, the yield to maturity and expected returns trail a more core focused bond strategy. Further, it currently appears that most Central Banks are looking to maintain current rates or cut further. The shorter duration profile would be expected to trail more core strategies going forward. **Given that, combined with the additional diversification opportunities available from including Lysander and PIMCO, there is not expected to be a large jump in risk, helping to improve expected returns for the Models**.

- **Beutel Goodman Income Fund** invests in a diversified portfolio of Canadian government and corporate bonds of various maturities. It is managed by the same team as the Beutel Goodman Core Plus Bond Fund. The Income Fund does not offer the same flexibility of the Core Plus strategy, meaning it cannot invest in non-core holdings such as high yield credit, global investment grade credit, preferred shares, and emerging market debt. **Given the structure of the mandate, we believe that the Core Plus strategy provides a more diversified portfolio, which would be expected to deliver stronger returns over the long-term.**

- **Canoe Canadian Small/Mid Cap Fund** provides exposure to a high conviction of portfolio of small and mid-sized companies. **The Fund is only in one model. To simplify our Models, we are removing the strategy.**

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